

GEOKINETICS INC. shale oil development and production

391 Chipeta Way D-2

Salt Lake City, Utah 84108-1282

Telephone (801) 428-0511

JIM

MAY 16 1983

PRESS RELEASE

RECEIVED

MAY 13 1983

DIVISION OF
OIL, GAS & MINING

GEOKINETICS REPORTS EVENTFUL QUARTER

Geokinetics reported a number of significant developments during the Second Quarter of 1983.

- o Record net earnings of \$289,855 were achieved for the quarter equal to \$0.10 per share, compared to \$23,644, or \$.01 per share in the corresponding quarter in fiscal year 1982. The increased earnings were largely due to sale of stockpiled crude shale oil. Earnings for the six months ended March 31, 1983 were \$338,938 or \$.12 per share, also a record, compared to \$38,292 or \$.01 in the six month period ended March 31, 1982.
- o The company entered into negotiations with the U.S. Synthetic Fuels Corporation for loan guarantees and price supports for a ten year, 1000 barrel/day commercial shale oil project at its Seep Ridge site in Utah.
- o A \$1,900,000 R&D Contract was signed with the U.S. Department of Energy to continue the Geokinetics/Department of Energy Oil Shale Research Program.
- o The burning of test retort #26, a full size in situ retort, was successfully completed.
- o Under a \$6,287,000 contract with the Defense Fuels Supply Center, refining operations began at the Caribou Refinery to produce jet fuel, diesel and gasoline for the Department of Defense.
- o Geokinetics and the State of Utah have initiated a land exchange with the U.S. Bureau of Land Management. If the proposed exchange is carried out, it will increase Geokinetics' holdings of oil shale lands amenable to its LOFRECO in situ process by twenty five percent.

Geokinetics is a public corporation based in Salt Lake City and engaged in shale oil development and production.

Condensed Statements
of Financial Position

Geokinetics Inc.
Company Profile

Geokinetics is engaged in the acquisition of oil shale lands and in research and development of processes to extract shale oil from oil shale deposits. Geokinetics holds leases on 35,000 acres of oil shale lands in the State of Utah, containing 1.7 billion barrels of oil in place. The Company is developing a process for the in situ extraction of shale oil. The objective of the Company is to develop production of shale oil on a commercial scale from its properties. The Company is a leader in developing shale oil technology, and maintains a strong resource position in oil shale lands.

March 31,	1982 (Unaudited)	1983 (Unaudited)
Assets		
Current Assets:		
Cash and short term investments	\$3,043,866	\$2,112,173
Receivables	166,314	2,925,438
Inventories	59,876	56,954
Prepaid expenses	38,387	157,717
Refundable income taxes	61,178	
Total	3,369,621	5,252,282
Property and Equipment:		
Oil shale leases	530,903	560,292
Other	17,481	233,829
Net	548,384	794,121
Other Assets	250,000	175,000
Total	\$4,168,005	\$6,221,403
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 306,338	\$1,839,929
Accrued expenses	144,742	139,979
Accrued income taxes		40,831
Unexpended reimbursements	48,482	274,846
Total	\$ 499,562	\$2,295,585
Stockholders' Equity:		
Common stock (5,000,000 shares authorized; 2,794,000 shares issued and outstanding in 1981 and 1982)	558,800	558,800
Additional capital	3,363,774	3,363,774
Deficit accumulated during the development stage	(254,131)	3,244
Net	3,668,443	3,925,818
Total	\$4,168,005	\$6,221,403

General Office
391 Chipeta Way D-2
Salt Lake City, Utah 84108
801-583-0511

GEOKINETICS

Second Quarter Report
1983

For the Quarter Ended March 31, 1983

To Our Stockholders:

The second quarter of 1983 was an eventful one for Geokinetics.

- Record earnings were achieved.
- Our Seep Ridge proposal for a commercial operation was favorably received by the U.S. Synthetic Fuels Corporation.
- We signed our 1983 research and development contract with the Department of Energy.
- We completed the burn of Retort # 26, our must successful to date with respect to design, operation and production.
- We began crude shale oil runs under our contract to refine military jet fuel for the Department of Defense.
- Geokinetics and the State of Utah have initiated a land exchange with the U.S. Bureau of Land Management.

Earnings for the second quarter were \$290,000, compared to \$49,000 for the previous quarter, and a loss of \$24,000 in the second quarter of 1982. These are the highest quarterly earnings in our history and are largely due to the sale of stockpiled crude shale oil to the Department of Defense (DOD) for use in our refining contract. Six months earnings were \$339,000, equivalent to 12 cents per share. Earnings for the next six months may be adversely affected if oil sales are at a lower level. Gross receipts for this quarter were \$4,112,000 vs. \$1,948,000 in the previous quarter, and \$898,000 in the second quarter of 1982. Current assets were \$5,252,000 vs. current liabilities of \$2,296,000. Cash and equivalent remained above \$2 million.

The support program of the U.S. Synthetic Fuels Corporation (SFC) provides an opportunity for Geokinetics to move immediately into commercial production. The SFC is a government corporation with a budget of \$15 billion to be used to develop a commercial synthetic fuels industry. The SFC is authorized to guarantee loans for 75% of the cost of plant construction, and to provide a guaranteed price for the oil at a level above and independent of the market price.

On January 10, 1983, we submitted applications for loan and price guarantees for two projects at the SFC's Third Solicitation: Seep Ridge, a 1,000 barrel per day operation, and Wolf Den, at 4,000 barrels per day. Both projects have been evaluated by the Board of the SFC. Wolf Den did not meet the maturity requirement because we were unable to attract equity partners. However, Seep Ridge successfully met the SFC's criteria as a mature project, and has been advanced to the project strength evaluation stage. Commitments have been obtained for 90% of the equity capital required for the Seep Ridge project. We are currently engaged in negotiations with the SFC on the financial arrangements. We have requested loan guarantees and price supports for a 10 year operation. The support price would be at a level designed to provide a profitable operation.

On April 10, we signed a modification to our Department of Energy (DOE) Cooperative Agreement under which the DOE will contribute \$1,350,000, and Geokinetics \$675,000 for the final phase of our research and

development (R&D) program to develop the LOFRECO process. Under the terms of the contract, Retorts # 27 and # 28, which have been blasted, will be equipped, ignited, and operated for a period of five months. Extensive environmental tests related to off gas cleanup and by-product water cleanup will be carried out. Retort # 26 was shut down on February 28 after 235 days having produced 23,350 barrels of oil. This was 10% more than Retort # 25.

We have been working since November 1982 on the \$6,287,000 contract from the DOD for the production of military jet fuel from crude shale oil. We have contracted with Carlbou Four Corners Inc. to refine the shale oil at their refinery near Salt Lake City. Extensive modifications to the refinery have been completed and running of crude shale oil has begun. We expect to begin delivery of product about May 15, 1983.

For many years there have been discussions of land exchanges between the federal and state governments. Recent changes in federal regulations have made such exchanges possible. Accordingly, Geokinetics and the State of Utah have proposed a land exchange with the U.S. Bureau of Land Management. Under the proposal, the State of Utah would exchange 1,747 acres of State owned lands, on which Geokinetics holds oil shale leases, for 2,408 acres of federal lands. The Geokinetics lease would then transfer to the newly acquired state lands. This would create a contiguous block surrounding our Kamp Kergen test site and would exchange land suitable for our LOFRECO process for acreage with oil shale suitable for mining methods. This exchange, if consummated, would increase our in-place resource amenable to the LOFRECO process by twenty-five percent.

Although the synthetic fuels industry as a whole has been severely set back by the decline in crude oil prices, the prospects for Geokinetics appear better today than at any time in our 14 year history. We are operating on a profitable basis, we are gaining valuable experience in refining shale oil, and we have an opportunity to increase our oil shale reserves through a land exchange. Our eight year R&D program will be completed in 1983, and our latest retort, Retort # 26, is the best we have tested. We are now preparing to move into a commercial operation with the assistance of the SFC. This project will be a prototype commercial operation that can be expanded and replicated many times on our extensive holdings of oil shale leases.

Henry H. Patton

Chairman of the Board

Mitchell A. Leka

President

May 1, 1983

Condensed Statements of Operations

	Three Months Ended March 31, (Unaudited)		Six Months Ended March 31, (Unaudited)	
	1982	1983	1982	1983
Costs and Expenses:				
Engineering, research and development	\$ 763,317	\$3,152,233	\$1,619,102	\$4,705,970
Administrative and general	202,072	507,267	440,710	786,662
Oil shale lease rentals	14,859	15,192	29,718	30,384
Other	550	11,492	1,065	22,694
Total	980,078	3,686,184	2,090,595	5,545,710
Less:				
Cost reimbursements and fees, principally from U.S. Departments of Energy and Defense				
Shale oil sales	729,074	3,498,003	1,720,306	5,214,654
Interest income	41,487	592,975	141,487	772,284
Miscellaneous income (expense)	109,273	36,041	238,494	88,390
	18,600	(14,880)	18,600	(14,880)
Total	898,434	4,112,139	2,118,887	6,060,448
Income (loss) before income taxes	(81,644)	425,955	28,292	514,738
Income taxes (credits)	(58,000)	136,100	(10,000)	175,800
Net income (loss)	\$ 23,644	\$289,855	\$ 38,292	\$ 338,938
Earnings (loss) per common share	\$.01	\$.10	\$.01	\$.12
Weighted average common shares and equivalents outstanding	2,794,000	2,794,000	2,794,000	2,794,000